The Palm Beach Post

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FPL launches rate hike offensive

The utility expects to spend$5.5 million to make a case for a $690 million increase.

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Updated: 11:32 p.m. Thursday, April 5, 2012
Posted: 10:28 p.m. Thursday, April 5, 2012

Three years ago, more than 100 people packed the Palm Beach County Commission chambers to speak about Florida Power & Light Co.'s proposed $1.3 billion rate hike.

This summer, the process begins anew as FPL seeks a $690.4 million rate hike, citing increased costs of doing business.

A public hearing is scheduled for 4 p.m. June 14 at the Solid Waste Authority of Palm Beach County, 7501 N. Jog Road. Eight others will be held in FPL's service territory from Sarasota to Miami.

The Public Service Commission is expected to hear the case in Tallahassee beginning Aug. 20.

Juno Beach-based FPL projects that its case-related costs will reach $5.5 million, an expenditure that is generally borne by ratepayers.

FPL President Eric Silagy said Thursday that he would welcome the opportunity to settle without the expense of a rate case. FPL already has filed 265,900 pages with state regulators.

The utility is asking for $516.5 million of the increase to take effect Jan. 2, and for the remaining $173.9 million to kick in when its new Cape Canaveral plant comes into service in June 2013.

The company is seeking an increase of $6.97 a month, or about 23 cents a day, on the base portion of a typical 1,000-kilowatt-hour residential customer bill. The base rate would jump from $43.26 now to $50.23 in June 2013, a 16 percent increase.

The increase would be offset by a $4.49-a-month net decrease in other components of a typical bill, including lower fuel usage, lower fuel prices and other adjustments, FPL estimates show. As a result, the typical residential customer bill would increase about $2.48 a month, or 2.6 percent.

As part of the rate case, FPL is also asking that the midpoint of its authorized rate of return on equity, or profits, be raised to 11.25 percent, with a "performance adder" of another 0.25 percent if FPL's typical residential bill continues to remain the lowest in the state.

Silagy noted that the company has the lowest bill, the highest reliability and the cleanest emissions profile in Florida. However, its authorized midpoint of 10 percent is the lowest rate of return on equity granted to any electric utility in Florida in the past 50 years.

Chief Financial Officer Moray Dewhurst said in pre-filed testimony that FPL needs the requested 11.25 percent to provide the financial strength to continue to deliver value to its customers and to provide investors the opportunity to earn a fair return.

Sandra Safran, a Boynton Beach retiree and former retail shop owner, said she doesn't think it's fair that the ratepayers pay for FPL plant improvements and the stockholders receive the financial benefits.

"Why should they make profits, and we have to pay for the profits? They're getting dividends and we get the bill," Safran said.

James Casey, a retired sales representative who lives in Royal Palm Beach, said he doesn't see why a monopoly needs an 11.25 percent return. FPL officials should be satisfied with 10 percent, he said.

"Why are they so concerned about the shareholders?" Casey said. "They have a guaranteed income. It is growing every quarter. They recently increased their dividend. Without us, they are not a business."

Herbert Burge, a Royal Palm Beach resident and fuel technician, said it irks him that FPL spends money on advertising.

"Why are they spending millions of dollars in advertising when there is no competition? They can put information in our bill if there is something they want to tell us," Burge said.

Intervenors in the case include the Florida Industrial Power Users Group, the South Florida Hospital & Healthcare Association and the Florida Retail Federation. The Office of Public Counsel has intervened on behalf of ratepayers.

Rick McAllister, CEO and president of the Florida Retail Federation, said, "While we respect the job that Florida Power & Light does, we simply want to make sure and ensure for our members and for citizens and ratepayers in general that everything they are asking for is really needed."

McAllister said that while FPL may be saying the increase is only $2 or so for the 1,000-kilowatt-hour customer because of the fuel offset, the base rate increase should be examined. Fuel costs are passed through to customers and can go up or down.

"The point is, not only are you paying residentially, but you are also going to pay for it where you buy stuff," he said. "The retailers have to pass that along.

"Let's take a look at what they are asking for, then take it apart line by line. Let the PSC decide exactly what, if any increase, is justified. It could be there is no justification for a rate increase."

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